

Message Text

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ACTION EB-07

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6922

INFO USMISSION GENEVA

USDEL MTN GENEVA

UNCLAS SECTION 1 OF 2 OTTAWA 2576

PASS STR

PASS AGRICULTURE FAS; ANDERSON/STARKEY

EO 11652 NA

TAGS ETRD EAGR CA

SUBJ FOOD PRICES REVIEW BOARD CONCERN

OVER IMPORT CONTROLS ON EGGS

REF OTTAWA 2510

1. FOLLOWING IS TEXT OF STATEMENT ISSUED JULY 10 BY
FOOD PRICES REVIEW BOARD WHICH EXPRESSED CONCERN IN
RATHER SHARP LANGUAGE ABOUT GOC'S IMPOSITION OF
IMPORT CONTROLS ON EGGS AND SOLICITS GOC ANSWERS
TO LONG LIST OF QUESTIONS, MANY OF WHICH ARE SAME
QUESTIONS USG WOULD ASK RE EFFECTIVENESS OF
SUPPLY-MANAGEMENT SYSTEM, IMPACT ON PRICES AND TRADE
FLOWS, ETC.

QUOTE:

2. THE FOOD PRICES REVIEW BOARD IS CONCERNED OVER
THE GOVERNMENT'S RECENT DECISION TO IMPOSE IMPORT
CONTROLS ON EGGS.

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3. THESE CONTROLS WERE IMPOSED WITH NO CLEAR PUBLIC EXPLANATION OR JUSTIFICATION AT A TIME WHEN PRICES FOR MANY BASIC FOODS ARE CONTINUING TO RISE AND THE FEDERAL GOVERNMENT IS CALLING FOR RESPONSIBLE PRICE AND INCOME DECISIONS FROM THE PUBLIC.

4. THE EFFECT OF THE IMPORT QUOTAS WILL BE INCREASED EGG PRICES TO CONSUMERS, PARTICULARLY IN CENTRAL CANADA WHERE PRICES HAVE ALREADY RISEN SUBSTANTIALLY.

5. SOME INCREASE IN EGG PRICES MAY BE JUSTIFIED. IT IS IMPORTANT TO RECOGNIZE THAT THE PRICE OF EGGS DURING THE FIRST SIX MONTHS OF 1975 HAS GENERALLY LAGGED WELL BELOW YEAR EARLIER LEVELS. BOARD ANALYSIS HSOWS THAT EGGS WERE ONE OF THE CHEAPEST SOURCES OF PROTEIN AMONG FOODS ON ITS LIST FOR A NUTRITIOUS DIET.

6. NONETHELESS, THE GOVERNMENT HAS A RESPONSIBILITY TO EXPLAIN, IN DETAIL, REASONS FOR ITS DECISION TO CURB THE FLOW IF IMPORTED EGGS WHICH WILL ENSURE HIGHER PRICES FOR A BASIC COMMODITY IN THE CANADIAN DIET, WHILE RISKING A FURTHER AGGRAVATION OF CANADA-U.S. TRADE RELATIONS.

7. THE BOARD ESPECIALLY CONDEMNS THE RELEASE OF THIS IMPORTANT GOVERNMENT POLICY DECISION IN THE FORM OF A CRYPTIC STATEMENT GIVEN TO THE MEDIA LATE ON FRIDAY AFTERNOON, AFTER THE FINAL QUESTION PERIOD OF THE WEEK IN THE HOUSE OF COMMONS. ANY GOVERNMENT MEASURE LIKELY TO INCREASE FOOD PRICES SHOULD BE ANNOUNCED FIRST IN PARLIAMENT GIVING ELECTED REPRESENTATIVES AN IMMEDIATE OPPORTUNITY FOR FULL DISCUSSION OF THE MATTER.

8. THE BOARD IS RELEASING THIS STATEMENT TO POSE A NUMBER OF QUESTIONS WHICH MUST BE ANSWERED BY THE GOVERNMENT TO MAKE POSSIBLE THOROUGH ANALYSIS OF THE EGG PRICE SITUATION. WITHOUT MORE DETAILED INFORMATION THE BOARD, LIKE THE PUBLIC, CAN ONLY CONTINUE TO SUSPECT THAT THE CONDITIONS FOR SUCCESSFUL NATIONAL EGG MARKETING HAVE NOT YET BEEN MET.

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9. THE DECISION TO ADD IMPORT CONTROLS AS AN ADDITIONAL TRADE BARRIER OVER AND ABOVE ESTABLISHED TARIFFS HAS BEEN JUSTIFIED ON THE BASIS OF ASSURANCES GIVEN BY THE CANADIAN EGG MARKETING AGENCY (CEMA) THAT EFFECTIVE STEPS HAVE BEEN TAKEN TO IMPLEMENT A SOUND PROGRAM OF SUPPLY MANAGEMENT IN CANADA.

10. SINCE PRICE IS DETERMINED LARGELY BY SUPPLY AND

DEMAND, THE RESTRICTION OF U.S. EGG SUPPLIES AMOUNTS TO THE CREATION OF A MONOPOLY FOR CANADIAN EGG PRODUCERS. SUPPORTERS OF SUPPLY MANAGEMENT STATE THAT SUCH A MONOPOLY SITUATION IS NECESSARY FOR AN EFFECTIVE SUPPLY MANAGEMENT PROGRAM BECAUSE IT LEAVES PRODUCERS FREE TO CONTROL THE AVAILABILITY OF EGGS AND, AS A RESULT, THEIR PRICE. SUCH A SYSTEM, THEY CLAIM, WORKS TO THE ADVANTAGE OF PRODUCERS AND CONSUMERS, ASSURING PRODUCERS OF REASONABLE AND STABLE RETURNS AND CONSUMERS OF AMPLE SUPPLIES AT REASONABLE AND STABLE PRICES.

11. OPPONENTS OF SUPPLY MANAGEMENT, HOWEVER, ARGUE THAT SUPPLY MANAGEMENT WHICH RELIES ON MONOPOLY ENCOURAGES INEFFICIENCY, MAINTAINS UNNECESSARILY HIGH PRICES, PROMOTES WASTE AND GENERALLY ACTS AGAINST THE INTEREST OF CONSUMERS AND EFFICIENT PRODUCERS.

12. ADDITIONALLY, IMPORT CONTROLS ARE CONTRARY TO THE AIMS OF CANADIAN TRADE POLICY. IN ITS RECENT BUDGET, THE GOVERNMENT REAFFIRMED ITS PLEDGE AGAINST THE USE OF TRADE RESTRICTIONS.

13. WITH ITS DECISION TO CONTROL EGG IMPORTS, THE GOVERNMENT HAS DECIDED TO RISK A FURTHER EXPERIMENT WITH CEMA. DESPITE SOME RESERVATIONS, THE BOARD PROPOSES TO ADOPT A NEUTRAL POSITION FOR THE NEXT FEW WEEKS TO GIVE THIS NEW ATTEMPT A CHANCE TO WORK.

14. IN THE MEANTIME, THE BOARD CALLS ON THE GOVERNMENT TO RESPOND TO THE FOLLOWING QUESTIONS AS A MEANS OF ASSISTING THE BOARD TO CARRY OUT THE NECESSARY ANALYSIS AND TO HELP THE PUBLIC JUDGE THE NEW EXPERIMENT.

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15. WHY ARE THE CONTENTS OF THE FEDERAL-PROVINCIAL AGREEMENTS ON EGG MARKETING SECRET? THE BOARD CALLS ON THE GOVERNMENT TO MAKE PUBLIC THE TEXTS OF BOTH THE INITIAL AND SUPPLEMENTARY AGREEMENTS.

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PASS STR

PASS AGRICULTURE FAS; ANDERSON/STARKEY

16. WAS THE GOVERNMENT AWARE AND DID IT CONCUR
WITH THE MINISTER OF AGRICULTURE'S USE OF COERCION,
IN THREATENING TWO PROVINCIAL GOVERNMENTS -- ALBERTA
AND NEW BRUNSWICK -- THAT IF THEY DID NOT SIGN THE
AGREEMENTS HE WOULD CONSIDER: (ALL FOLLOWING
INNER QUOTATIONS ARE TAKEN FROM THE TEXT OF A TELEX
MESSAGE DATED JUNE 25, TO PROVINCIAL AGRICULTURE MINISTERS FROM
AGRICULTURE MINISTER WHELAN. TELEX MESSAGE FOLLOWS.)

A) BEGIN INNERQUOTE CONTROL OF MOVEMENT FROM THE TWO
TO THE EIGHT END INNERQUOTE (THAT IS, RESTRICTING
INTERPROVINCIAL TRADE IN EGGS CONTRARY TO THE BRITISH
NORTH AMERICA ACT BY CONTROLLING TRADE FROM ALBERTA
AND NEW BRUNSWICK TO OTHER PROVINCES). B) BEGIN INNERQUOTE
ADEQUATE MOVEMENT FROM THE EIGHT INTO THE TWO
PROVINCES END INNERQUOTE (THAT IS, POSSIBLE FLOODING
OF ALBERTA AND NEW BRUNSWICK MARKETS WITH EGGS FROM
THE OTHER PROVINCES). C) BEGIN INNERQUOTE PERMISSION
FOR MOVEMENT FROM OUTSIDE OF CANADA INTO THE TWO
PROVINCES END INNERQUOTE (THAT IS, INSTITUTING A
DISCRIMINATORY IMPORT QUOTA POLICY THAT WOULD ALLOW
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U.S. EGGS TO ENTER ONLY ALBERTA AND NEW BRUNSWICK).
D) BEGIN INNERQUOTE REMOVAL OF FEDERAL AUTHORITY
FOR INDIRECT TAXATION BY THE TWO (PROVINCIAL MARKETING)
BOARDS END INNERQUOTE.

17. ON WHAT BASIS ARE EGG PRICES NOT TO BE DETERMINED?

18. IF PRICES ARE BASED ON A COST OF PRODUCTION FORMULA,
HOW WAS SUCH A FORMULA DERIVED?

19. WHAT STEPS HAVE BEEN TAKEN TO ENSURE THAT PRODUCTION
LEVELS SET BY CEMA ACCURATELY REFLECT DOMESTIC DEMAND?

20. IF THE PRODUCTION LEVELS DO, IN FACT, REALISTICALLY
REFLECT DEMAND, WHAT CONTROLS HAVE BEEN INSTITUTED TO
ENSURE THAT PRODUCTION WILL NOT EXCEED THE LEVELS SET BY CEMA?

21. THE APPARENT LACK OF INTERPROVINCIAL TRADE IN THE
CANADIAN EGG MARKET HAS BEEN OF PARTICULAR CONCERN GIVEN
THE MARKED PRICE DIFFERENTIALS EXISTING AMONG THE
PROVINCES. IN ITS SECOND EGG REPORT OF AUGUST 1974 THE
BOARD CALLED FOR AN ELIMINATION OF BARRIERS TO INTER-
PROVINCIAL TRADE. THE SPECIAL PARLIAMENTARY INQUIRY
INTO EGG MARKETING ALSO STRESSED THIS. WHAT STEPS
HAVE BEEN TAKEN TO ENSURE THAT NO BARRIERS TO INTER-
PROVINCIAL TRADE WILL OCCUR UNDER THE NEW PROGRAM?

22. HAS CEMA BEEN INSTRUCTED TO ACCOUNT PUBLICLY FOR
ALL ITS DECISIONS AFFECTING EGG PRICES AND SURPLUS
REMOVAL?

23. IF U.S. PRICES RISE, WHAT ASSURANCE DOES THE
CANADIAN CONSUMER HAVE THAT DOMESTIC PRICES WILL NOT
ALSO RISE? THE FUTURES MARKET FOR U.S. EGGS PREDICTS
SHARPLY RISING PRICES LATER THIS YEAR. IF A
JUSTIFICATION FOR SUPPLY MANAGEMENT IS PRICE STABILITY,
THEN THERE MUST BE SOME ASSURANCE THAT CANADIAN EGGS
WILL NOT BE EXPORTED TO THE U.S. IN RESPONSE TO
HIGHER U.S. PRICES, THEREBY INCREASING DOMESTIC PRICES.

24. ACCORDING TO CEMA PROJECTIONS, WHAT WILL BE THE
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NEW EGG PRICES IN EACH PROVINCE ONCE THE PROGRAM IS
FULLY OPERATIONAL?

25. WHAT IS THE DIMENSION OF THE CURRENT EGG SURPLUS?

26. WHAT STEPS HAVE BEEN TAKEN TO ENSURE THAT THE
WASTAGE OF EGGS WHICH OCCURRED IN 1974 WILL NOT BE
REPEATED?

27. IS IT THE INTENTION OF THE GOVERNMENT, WHILE
RESTRICTING IMPORTS OF TABLE EGGS, TO DEGRADE CANADIAN

SURPLUS EGGS AND SELL THEM IN EXPORT MARKETS FOR
PROCESSING?

28. WILL THE EXECUTIVE COMMITTEE TO BE APPOINTED TO
DIRECT CEMA INCLUDE REPRESENTATIVES OF NON-PRODUCERS AS
RECOMMENDED BY THE BOARD IN ITS SECOND EGG REPORT?

29. TELEX FOLLOWS AS MENTIONED IN PARAGRAPH 16:
RE CEMA RESPONSES TO TELEX OF JUNE NINETEEN
INDICATE THAT EIGHT PROVINCES AND EIGHT BOARDS WILL
AGREE TO MY SUGGESTIONS FOR SUPPLEMENTAL AGREEMENT.
TWO PROVINCES AND TWO BOARDS NAMELY ALBERTA AND
NEW BRUNSWICK HAVE NOT AGREED. THE ALTERNATIVES OPEN
ARE: (A) A TEN PROVINCE CEMA UNDER ORIGINAL PLAN
(B) AN EIGHT PROVINCE CEMA UNDER SUPPLEMENTAL PLAN
THE FORMER IS NOT A VIABLE OPTION SINCE MOST MINISTERS
INCLUDING MYSELF AND BOARDS WANT FIRMER CONTROL OF
PRODUCTION, IMPROVED OPERATIONAL STRUCTURE AND A SYSTEM OF
UNIFORM PRICING. THE SECOND ALTERNATIVE POSES SOME PROBLEMS.
TO HAVE BORDER CONTROLS THERE MUST BE CONTROL OF PRODUCTION
IN CANADA. THEREFORE A WAY MUST BE FOUND TO CONTROL
PRODUCTION NOT ONLY IN THE EIGHT CEMA PROVINCES BUT
THE OTHER TWO AS WELL. A NUMBER OF AVENUES COULD BE
CONSIDERED NAMELY CONTROL OF MOVEMENT FROM THE TWO TO THE
EIGHT, ADEQUATE MOVEMENT FROM EIGHT INTO THE TWO
PROVINCES, PERMISSION FOR MOVEMENT FROM OUTSIDE OF CANADA
INTO THE TWO PROVINCES, AND REMOVAL OF FEDERAL AUTHORITY
FOR INDIRECT TAXATION BY THE TWO BOARDS. NONE OF THESE
APPEALS TO ME AND ACCEPTANCE BY TWO FURTHER PROVINCES WOULD
MAKE CONSIDERATION OF SUCH AVENUES UNNECESSARY. IT IS CLEAR
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THAT THERE CAN BE TEN PROVINCES IF SUGGESTIONS MY TELEX
JUNE 19 ARE ACCEPTED. THE ONLY ACTION NECESSARY BY THE
ALBERTA GOVERNMENT IS TO ACCEPT SUGGESTION RE ADDENDUM
ITEM 9 AND SIGN. THE ONLY ACTION NECESSARY BY
NEW BRUNSWICK IS TO AGREE TO REMOVAL OF
ADDENDUM ITEM 8 AND SIGN. I URGE ALBERTA AND
NEW BRUNSWICK GOVERNMENTS AND BOARDS TO ACCEPT THESE
SUGGESTIONS SO THAT WE CAN HAVE A TEN PROVINCE CEMA
OPERATING UNDER THE SUPPLEMENTAL AGREEMENT. I ASK
FOR PROMPT REPLIES FROM ALBERTA AND NEW BRUNSWICK SO
THAT I CAN TAKE ACTION AT THE BORDER WHICH WILL ALLOW
FOR REASONABLE PRICES THROUGHOUT CANADA. UNQUOTE.
JOHNSON

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